

Service Date: February 5, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER of the Application	)	
of the MONTANA POWER COMPANY for	)	
Authority to Implement a Qualify-	)	UTILITY DIVISION
ing Facilities Cost Tracking Mech-	)	
anism and for Approval to Increase	)	DOCKET NO. 90.3.17
Rates and Charges for Electric	)	
Service in the State of Montana	)	ORDER NO. 5465c
to Reflect QF Tracking Costs and	)	
Increased Depreciation Expense.	)	
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FINAL ORDER ON DEPRECIATION FOR  
ELECTRIC PLANT AND THE ELECTRIC  
PORTION OF COMMON PLANT

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1. On March 1, 1990, the Montana Power Company (MPC or Company) filed a request with the Montana Public Service Commission (Commission) for authority to implement a Qualifying Facilities (QF) Cost Tracking Mechanism and for approval to increase electric rates in Montana to reflect QF tracking costs and increased depreciation expense. Included in the filing was a request for interim approval of the proposed rate schedules.

(Application, p. 1)

2. The overall net effect of MPC's request is an increase in annual electric revenues of \$8,510,156, resulting from the QF and depreciation costs not currently reflected in MPC's rates

(Application, p. 1)

3. The depreciation cost increases to the electric utility are caused by a depreciation rate change identified in a 1988 depreciation study update. The 1989 depreciation costs recorded on MPC's electric books and records reflect an increase of \$1,575,653 in annual depreciation cost, which results in a need for an increase of \$1,954,162 (adjusted for taxes) in MPC's annual revenue requirement. (Application, p. 2)
4. On March 12, 1990, the Commission approved Interim Order No. 5465 in this Docket, which allowed MPC to record in its unreflected QF cost account costs and offsets being incurred.
5. On April 11, 1990, the Commission issued a Notice of Application and Intervention Deadline in this proceeding.
6. On May 21, 1990, the Commission approved Interim Order No. 5465a, which denied MPC's request for a QF tracking mechanism, granted an interim annual revenue increase for net QF costs in the amount of \$4,974,445, and denied MPC's request for an interim rate increase to reflect the effects of a new depreciation study.
7. On July 2, 1990, the Commission approved Order on Reconsideration No. 5465b, which denied MPC's Motion For Reconsideration in its entirety regarding Montana One, any other QF costs, and depreciation costs. This Order served to clarify the Commission's position concerning MPC's recovery of prudently incurred net QF costs, including unreflected QF costs being tracked.
8. On July 27, 1990, MPC filed a general electric and natural gas rate increase request, Docket No. 90.6.39.
9. On August 28, 1990, the Commission issued Interim Order No. 5484c, in Docket No. 90.6.39. That order gave interim approval to increase annual revenues by \$30,483,417. Interim Order No. 5484c did not reflect any increased depreciation expense for MPC's electric utility.

10. On November 1, 1990, the Commission issued a Notice of Public Hearing in Docket No. 90.3.17, which contemplated an opening date of the hearing of December 4, 1990.

11. On November 15, 1990, the Commission received a Stipulated Motion to Bifurcate and Reschedule Hearing on Qualifying Facilities Issues in this Docket (Motion to Bifurcate and Reschedule). The Motion to Bifurcate and Reschedule proposed the following:

- a.) Bifurcation of the QF issues from the depreciation issues;
- b.) Rescheduling of the public hearing on the depreciation issues from December 4 to December 5, 1990;
- c.) Rescheduling of the deadline for Montana Power's data responses with respect to QF issues from November 26 to November 28, 1990;
- d.) Rescheduling, until no earlier than January 3, 1991, of the current November 30, 1990, deadline for submitting final witness lists and notices of the data requests or other discovery intended to be introduced as evidence (with respect to QF issues only); and
- e.) Rescheduling, until no earlier than the week of January 7, 1991 (and preferably on January 10, 1991), of the public hearing on QF issues only, subject to the Commission's schedule.

12. On November 19, 1990, the Commission issued a Notice of Commission Action and Revised Hearing Date. The Notice stated that on November 19, 1990, at its regularly scheduled agenda meeting, the Commission voted to grant the Motion to Bifurcate and Reschedule in part. The Notice said that the Commission would hear the depreciation issues in this Docket beginning on December 5, 1990, at 9:00 a.m. in the Highway Department Auditorium of the Highway Department Building, 2701 Prospect Avenue, Helena, Montana. The Notice consolidated the QF issues in Docket No. 90.3.17 with Docket No. 90.6.39 for purposes of hearing.

13. At the start of the hearing concerning depreciation issues on December 5, 1990, following the initial appearances, the Company submitted a motion to indefinitely continue the hearing on depreciation issues in this docket so that the provisions of a stipulated settlement between MPC and MCC could be finalized. MCC joined in the motion. Upon consideration, the

Commission granted the motion as proposed.

14. On January 21, 1991, MPC filed a stipulation which was entered into by the Company and the Montana Consumer Counsel (MCC). The stipulation settled the depreciation rates and expense of MPC's electric utility for the purpose of establishing rates in Docket Nos. 90.3.17 and 90.6.39. A copy of the stipulation is appended to this Order as Attachment A.

15. On January 22, 1991, a meeting was held in the Commission offices where MPC and MCC explained the proposed Settlement and responded to questions.

#### Commission Analysis

16. Upon consideration of the proposed Settlement (see Attachment A) between MPC and MCC on the depreciation issues in this proceeding, the Commission finds that it provides a reasonable solution to the areas of disagreement between the two parties and finds that the Settlement promotes the public interest. Therefore, the Commission approves the Settlement on depreciation issues in this proceeding as proposed.

17. The parties have agreed that the Company's rates and expenses for purposes of Docket Nos. 90.3.17 and 90.6.39 should be those set forth in Exhibit A to the stipulation, and should take effect prospectively from the time of a final order in Docket No. 90.6.39 without the possibility of rebate.

18. The parties also agreed that because the Company has been recording on its books and records the depreciation rates it proposed in these Dockets, rate base and related adjustments set forth in Exhibit B are appropriate.

#### CONCLUSIONS OF LAW

1. All Findings of Fact are hereby incorporated as Conclusions of Law.

2. The Applicant, Montana Power Company, provides electric service within the State of Montana and as such is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission within the meaning of Section 69-3-101, MCA.
3. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.
4. The Montana Public Service Commission has provided adequate public notice of all proceedings, and an opportunity to be heard to all interested parties in this Docket. Sections 69-3-303, 69-3-104, MCA, and Title 2, Chapter 4, MCA.
5. The rate levels and spread approved herein are just, reasonable, and not unjustly discriminatory. Sections 69-3-303 and 69-3-201, MCA.

## ORDER

### THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The stipulation between MPC and the MCC concerning electric utility depreciation rates and expense in Docket Nos. 90.3.17 and 90.6.39 is hereby approved.
2. Applicant, Montana Power Company, is hereby ordered to abide by the provisions of the approved stipulation discussed in the above Order paragraph.
3. In accordance with the approved stipulation in this proceeding, Applicant must include the effects of the stipulation on Applicant's revenue requirements approved in the Final Order and in the resulting tariffs filed in Docket No. 90.6.39.

Further, the effect of the stipulation should be fully reflected in the revenue requirement presented in MPC's rebuttal testimony in Docket No. 90.6.39.

DONE IN OPEN SESSION at Helena, Montana, this 22nd day of January, 1991, by a vote of 4-1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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HOWARD L. ELLIS, Chairman

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DANNY OBERG, Vice Chairman

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WALLACE W. "WALLY" MERCER,  
Commissioner

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JOHN B. DRISCOLL, Commissioner  
VOTED TO DISSENT-

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BOB ANDERSON, Commissioner

ATTEST:

Ann Peck  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.